

Approved 12/20/22

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC.

Minutes of the Meeting of the Board of Directors

November 29, 2022

Pursuant to proper notice duly provided to all Directors, the regular meeting of the Directors of the New Hampshire Electric Cooperative, Inc. (NHEC) was held November 29, 2022, at the Cooperative's 287 Highland Street Office in Plymouth, NH.

Directors present were Jeff Morrill, William Darcy, Sharon Davis, Leo Dwyer, Edward French, and Madeline McElaney. Directors Alana Albee, Brenda Boisvert, Carolyn Kedersha, Thomas Mongeon, and Harry Viens participated via Zoom. Others present were Alyssa Clemsen Roberts, President/CEO; Jim Bakas, Chief Operating Officer (COO); Brian Callnan, VP of Power Resources and Access; Drew Dunagin, VP of Financial Services/CFO; Michael Jennings, Director of Engineering; Steve Kaminski, Power Planning and Policy Advisor; Paul Phillips, Attorney; Kristen Taylor, Financial Services Manager; Matt Babcock, Safety Administrator; Jeremy Clark, Financial Planning, Analysis, and Rates Manager; Autumn Doan, Budget Executive; Cooperative Member Bruce Jenket; and Sharon Yeaton, Executive Services Administrator (recording). Others participating via Zoom were Geoff Ziminsky, VP of Information Services/CIO; Ken Colburn, NH NRECA Director; and Cooperative Member Steve Merrill.

Chair Morrill called the meeting to order at 8:30 a.m. He noted that Cooperative Member Bruce Jenket has joined the meeting and Cooperative Member Steve Merrill will be joining by Zoom.

Agenda Review and Consent Agenda Approval

Chair Morrill asked for any comments on the agenda and drew attention to the consent agenda items, including board meeting minutes of October 25, 2022, as well as a director expense report. Upon motion of Ms. Davis, seconded by Mr. Darcy, it was

VOTED: That the Board of Directors approves the agenda and consent agenda items as presented in the meeting packet.

Vote for the motion was unanimous.

Board Safety Moment

Mr. Babcock presented the safety moment and addressed questions, sharing a PowerPoint presentation on hazards associated with wires down.

Mr. Merrill joined the meeting at 8:32 a.m. during the safety moment presentation.

Mr. Babcock left the meeting at 8:42 a.m.

Board Operations Moment

Ms. McElaney presented the Board Operations Moment mentioning an example of governance in day-to-day life. She drew attention to the basketball contract included in the board packet, and pointed out that it is simple, easy to understand, and everyone is agreeing to it upfront. She highlighted areas of the contract, including being prepared, core values, responsibilities, and the

opportunity for everyone to sign off and agree to it. She shared how by changing a few words in the contract it could apply to NHEC Board and staff.

It was mentioned that some, but not all, of the items Ms. McElaney covered are included in Board Policy B-31, Code of Conduct, and perhaps those not included could be added. It was noted that people can have different perspectives with different translations and how that gets resolved is where the rubber hits the road. Equating that to the Board, Chair Morrill shared examples over the last month where directors have had different perspectives on the same topics so the question is how do we apply these principles in our code of conduct.

Member Comments

Chair Morrill recognized Bruce Jenket who mentioned he is recently retired and is looking for different areas he may be able to contribute and is considering running for the NHEC board. He shared his background and interest in energy and energy distribution.

Chair Morrill next called on Steve Merrill who shared that he is also approaching retirement and looking for ways to contribute back to the community. He discussed his background and mentioned that he is excited about what the Cooperative is doing on things such as broadband and other smart energy initiatives.

Chairman's Report

Chair Morrill presented the Chairman's Report, mentioning moving the December board meeting date from the holiday week to the prior week as was outlined in the President/CEO Overview in the board packet. Upon motion of Mr. Darcy, seconded by Ms. Davis, it was

VOTED: That the Board of Directors approves moving their regular monthly meeting for December 2022 to Tuesday, December 20, 2022.

Vote for the motion was unanimous.

President's Report

Ms. Clemsen Roberts presented the President's Report, calling attention to items in her written report, including the joint petition NHEC and Eversource filed with the Public Utilities Commission (PUC) for a service territory realignment; Strategic Planning, noting that the Steering Committee will be meeting with Joe Raia on December 2, reminding everyone there is a Doodle poll for a Strategic Planning Session, and noting that we are on track for a June completion date; and the money raised for a Vermont lineman who was injured, drawing attention to the thank you notes, and commenting that these types of efforts mean something and matter.

In response to a question, Ms. Clemsen Roberts discussed the purpose of the Strategic Planning Steering Committee Joe Raia requested, noting that it is to help keep timelines and discuss what it takes from a planning perspective for the strategic planning process. Chair Morrill added that the idea is to emulate what we did around broadband with having a small group of both Board and Senior Management Team (SMT) members to help guide the process and keep it on track.

There was additional discussion on strategic planning, with questions of how the Executive Committee fits since strategic planning was added to their charter a few years ago, who is on the steering committee, what is the objective of the retreat, what does preparation look like, how can

committees help in preparing, and a request for a timeline of key events. Chair Morrill indicated that these are questions we hope to resolve and get clarity around when meeting with Mr. Raia. He noted that the committee will be made up of Executive Committee members Ms. Davis, Mr. French, and himself, along with Ms. Clemesen Roberts and two members of SMT. It was suggested that it would be helpful to have more communication to the board around strategic planning so everyone is involved and has input.

Broadband Update

Mr. Jennings shared stats on the number of subscribers in Colebrook, Lempster, Acworth, and Sandwich; advised that construction continues to move forward on the Grafton County project and we are making steady progress; and addressed questions, noting that if everyone who signed up in Sandwich takes service the take rate will be around 55% which is the highest of all areas we are serving so far, and after Grafton County we will move into the lakes area and we are projecting completion of the BEA grant on-system areas by the end of 2025.

Mr. Darcy reported that the first iteration of the FCC map showing availability of broadband service was just issued and the Grafton County area is listed as served because StarLink is listed as providing 350/50 Mbps service which meets the 120 Mbps standard, meaning this area will not be grant eligible. He noted that studies of StarLink have shown that they can't come close to meeting that level of speed. He recommended that we make a universal challenge to all of StarLink, noting that there is a formal process at the FCC to challenge maps and he believes Conexon has a way to do a more universal challenge, rather than location by location.

Responding to a question on the University of New Hampshire (UNH) grant for mapping from the Department of Business and Economic Affairs (BEA), Ms. Clemesen Roberts stated that they will be collecting mapping data from everyone, which will hopefully generate a better map. Mr. Darcy added that one of the purposes BEA sees is to help them challenge the FCC map; if areas that aren't covered are deemed to be covered that means they'll get less money and be able to hand out less money so they wanted to have some expertise to help with challenges of the FCC map.

Ms. Clemesen Roberts reported on the information event we held in Sandwich, noting that about 50 to 60 people attended; provided a reminder that we submitted our invoice to the BEA and they received our bond documents so they will let us know when we should expect our first \$15 million; and in response to mention of the Concord Monitor article, "Talking Energy with the new head of NH Electric Co-op," noted that there is a lot of interest in how we procure power and she has done a number of interviews and when she can she tries to bring home some of the good things we do and promote those areas when she can.

Board Committees

Executive Committee

Chair Morrill reported on the November 2nd Executive Committee meeting, noting that most directors were in attendance. He drew attention to the proposed changes to Board Policy B-2, Attachment A – Executive Committee. Upon motion of Ms. Davis, seconded by Ms. McElaney, it was

VOTED: That the Board of Directors approves the changes to Board Policy B-2, Attachment A – Executive Committee, as recommended at the November 2, 2022, Executive Committee meeting, and as presented in the board meeting packet.

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Discussion ensued on the proposed changes to the policy. Mr. Mongeon shared his concerns with the proposed changes, noting that he did some research and also spoke with experts in board governance and the trend for executive committees has been decreasing their exposure and what they do at the board level. He suggested that expanding the scope of the Executive Committee can hurt morale and cause directors who are not on the committee to feel like they don't count.

Other directors shared that they were comfortable with the current proposed changes as they evolved through the review process.

Addressing a question of why we are setting up a Strategic Planning Steering Committee instead of using the Executive Committee, Chair Morrill and Ms. Clemsen Roberts explained that this was a request of Joe Raia; he wanted a committee made up of three directors and three staff members. The Steering Committee is just to set up the structure and timelines not to make any decisions.

With regard to the President/CEO review in section 4 of the policy, Chair Morrill confirmed that the full board would still have input into the review, as has been done in the past.

Mr. Mongeon advised that Board Source recommends that the charter of the executive committee be defined in the bylaws and the executive committee does not determine its own charter. He added that the bylaws clearly state that the Co-op should be governed by a board of 11 directors and he feels that the proposed change to section 2 is not consistent, in spirit, with our bylaws so if the board wants to have this change they should put a proposed bylaw amendment out to members and allow them to vote on it.

Vote for the motion approving changes to Board Policy B-2, Attachment A – Executive Committee, was ten in favor and one opposed, with Mr. Mongeon opposing because he does not believe it is good governance in accordance with nationally known experts, he believes it is unhealthy for the board moving forward, and section 2 goes against the spirit of the bylaws and if the board wants this changed it should be voted by the members.

Corporate Services Committee

Corporate Services Committee Chair French reported on the November 18th Corporate Services Committee meeting, noting that all directors were in attendance. He mentioned the items to be addressed today, including the Schedule of Fees and the Terms and Conditions, the 2023 capital and distribution operating budgets, and the Distribution Rate Change.

Addressing the Schedule of Fees and Terms and Conditions resolution, Committee Chair French called on Mr. Clark who provided clarification on a question raised at the Corporate Services Committee meeting relative to the standard reconnection fee and the reconnection after DNP fee relative to business hours and after hours.

Upon motion of Mrs. Davis, seconded by Mr. Dwyer, it was

VOTED: That the Board of Directors authorizes staff to update the Schedule of Fees and Terms & Conditions effective January 1, 2023 as recommended in the January 2023 Schedule of Fees and Terms & Conditions Proposal as presented to the Corporate Services Committee on November 18, 2022. Further details can be found in the November 18, 2022 Corporate Services Committee meeting minutes.

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It was mentioned there are a few links on the Terms and Conditions area of the NHEC website that aren't working so staff will need to fix this.

Vote for the motion was unanimous.

Committee Chair French next called attention to the resolution for the distribution capital budgets, including construction, general plant, and capital improvements.

Upon motion of Ms. Davis, seconded by Mr. Kedersha, it was

VOTED: That the Board of Directors approves the 2023 Capital Construction Budget, the 2023 General Plant Capital Budget, and the 2023 Capital Improvement Budget as recommended by staff in the proposal as presented to the Corporate Services Committee on November 18, 2022. Further details can be found in the November 18, 2022 Corporate Services Committee meeting minutes.

Mr. Mongeon commented that the motion references minutes of the Corporate Services Committee meeting which he has not seen and it would be helpful to have clarification of how we are proposing reviewing and approving the other budgets of the Co-op. Committee Chair French pointed out this motion is for the distribution capital budgets and not the operating budget.

Ms. Davis and Committee Chair French pointed out that the purpose of including reference to the minutes in the resolution is to provide a source if we needed to do research in the future. It was also pointed out that the full board was in attendance at the Committee meeting and the budget and presentation are also posted in OnBoard.

Vote for the motion was unanimous.

Committee Chair French next drew attention to the 2023 distribution operating budget resolution, noting that separate action will be taken by the Broadband LLC and the Power Resources and Access Committee for those budgets in December. He stated that what is presented in the distribution operating budget reflects the need for a \$2.4 million rate increase and reflects some hard work of management to bring the needed rate increase from the projected 7% to 8% down to 3.5%. He added that this recommended budget follows the rate trajectory approved at the September Board meeting.

Mr. Darcy discussed his proposed motion to create a reserve fund, noting that it is a flexible and important tool to have to accomplish objectives and have financial flexibility. He stated that by creating a reserve fund with this year's budget surplus it gives us the flexibility to accomplish what is needed and stabilize rates. He reviewed the elements of the motion.

Mr. Darcy moved, and Ms. Albee seconded the following resolution, which was shared onscreen:

Whereas, in the current fiscal year the New Hampshire Electric Cooperative's (NHEC) revenues are estimated to exceed expenses by over \$6 million dollars, and

Whereas, reserve funds are widely used by corporations and municipalities to provide funds for future needs and are often funded by excess revenues in good budget years, and

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Whereas, NHEC by use of a reserve fund can mitigate or eliminate the need for distribution rate increases for members; and

Whereas, the use of a portion of the 2022 budget surplus through a reserve fund will avoid the need for a 2023 distribution rate increase, currently estimated to be \$2.4 million; and

WHEREFORE it is MOVED:

That the Board hereby creates a Reserve Fund to be funded by the revenues in excess of expenses that exceed \$2 million in the 2022 fiscal year (that is if the 2022 profit margin is \$6 million, \$4 million will be placed in the Reserve Fund); and

That NHEC management is authorized to withdraw \$2.4 million from the Reserve Fund in the 2023 fiscal year to supplement revenues.

Discussion ensued on the motion with Committee Chair French first asking management to weigh in.

Mr. Dunagin commented that this would be a regulatory liability deferring revenue and he suggested before doing something like this there needs to be a thoughtful process with rigor around it. He noted that the key reason he wouldn't want to do this is Mr. Darcy's point of rate stabilization, explaining the reason we went through the process of developing a reasonable rate trajectory. He stated that by keeping the \$2.4 million for next year and not raising rates it puts that much more pressure on future years and you are creating more volatility. He noted that we have to allocate our earnings to the members that earned them and then take a contra equity account (take something out of equity and make it a liability on the balance sheet) so it artificially weakens the balance sheet and he wouldn't recommend doing that.

Ms. Clemsen Roberts added that good practices of deferred revenue are that you set a policy and guideline and run that through the board and set up a strategy and plan and have reasons as to why you defer revenue. She suggested that implementing something like this at the last hour, without further discussion is not good practice in how we manage our finances.

Directors provided feedback on the proposed motion, including thoughts that a reserve fund is crucial and something we should consider as a tool in our tool box; it is something we should look into further, perhaps for the next cycle; the board created a reserve fund in the past and because of concerns from our auditors and reasons Mr. Dunagin mentioned it was eliminated; it could be a problem and put us in jeopardy; it is an intriguing idea but is something we should first discuss with our auditors to determine if it makes sense or not; other organizations and cooperatives who have audited financials use reserve funds and the auditors have no concerns; we would be giving back to members immediately and this is a member-centered resolution that would lessen the load on them in a difficult time; reserve funds are a method to maintain stability and not cause fluctuations in rates; worry about our decision to go forward with paying out capital credits and then raising rates; we have had multiple years where we over-delivered on the budget so how do we get better control of the P & L; and this seems like a creative tool to benefit members.

Mr. Merrill left the meeting at 10:00 a.m. during feedback on the proposed motion.

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Vote for the motion to create a reserve fund was five in favor (Directors Albee, Dwyer, Darcy, Mongeon, and Morrill) and six opposed (Directors Kedersha, Boisvert, French, Viens, McElaney, and Davis). In addition to reasons cited prior to voting, reasons from those voting in favor were: Ms. Albee - thinks it is vital that we consider this a tool going forward; Mr. Mongeon – we have not considered enough options to prevent a rate increase, and if the motion fails this should be added to the Board Tracking Report; and Chair Morrill – think we need to be proactively managing the P&L; and from those voting against were: Ms. McElaney – every other component of the budget has been considered and analyzed and this feels too last minute, we have an equity ratio and guiding principles for rate setting that we use as buffers to take care of our membership; and Ms. Davis – we will put our organization at risk. The motion failed.

It was requested that the topic of reserve fund/deferred revenue be added as a strategic topic for a future Board agenda.

Upon motion of Ms. Davis, seconded by Ms. McElaney, it was

VOTED: That the Board of Directors approves the 2023 Distribution Operating Budget as recommended by staff in the proposal as presented to the Corporate Services Committee on November 18, 2022. Further details can be found in the November 18, 2022 Corporate Services Committee meeting minutes.

Mr. Darcy indicated he would be voting against this motion as he provided a solution and he has a problem with the use of building in a profit margin, feeling it provides the wrong incentive and our capital structure is in good shape.

Vote for the motion was six in favor (Directors McElaney, French, Viens, Boisvert, Kedersha, and Davis) and five opposed (Directors Darcy, Albee, Mongeon, Dwyer, and Morrill). Ms. Albee commented that we have done a lot of work, but she is not comfortable voting yes. Mr. Mongeon stated that Mr. Dunagin and team have made good progress through the years on the process but he is voting no because the minutes referred to in the motion are not available and he is not comfortable voting on one of three budgets, he thinks they should be consolidated. Chair Morrill indicated he is voting no because of the capital credit piece. The motion carries.

Committee Chair French drew attention to the distribution rate change resolution, noting that it follows the principles the board agreed to in how we handle rates.

Upon motion of Ms. Davis, seconded by Ms. McElaney, it was

VOTED: That the Board of Directors approves the recovery of \$2.4 million in Distribution Revenues as recommended by staff in the proposal on a bills-rendered basis effective January 1, 2023 as presented to the Corporate Services Committee on November 18, 2022. Further details can be found in the November 18, 2022 Corporate Services Committee meeting minutes.

There was discussion on the motion. Mr. Darcy stated that he would be opposing the motion as he doesn't think any rate increase is needed as he previously stated and he is opposed to putting everything onto the Member Service Charge as we are already higher than other utilities in NH and co-ops nationally.

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In response to a request to review the options considered to avoid the rate increase, Committee Chair French explained that question goes back to the budget, and if it had been \$2.4 million less there would not be a need for an increase. Mr. Dunagin added that there was extensive discussion about this two months ago when we were discussing the reasonable rate trajectory.

Additional feedback shared included the fact that this is based on the Cost of Service Study and guiding principles for rate setting that we review on a regular basis; it is appropriate to put the full increase on the member service charge given that we have a study that shows that low income members benefit more from this than if it went to the volumetric charge, it makes sense not to put it on the volumetric charge if we are trying to encourage electric vehicles and heat pumps, and the cost of running the wires is not dependent upon how much electricity goes through them.

Mr. Darcy requested that a copy of the study or analysis that shows low income members are not harmed by the high member service charge be submitted to directors for examination.

Vote for the distribution rate change motion was eight in favor (Directors Morrill, Davis, McElaney, Viens, French, Dwyer, Boisvert, and Kedersha) and three opposed (Directors Darcy, Mongeon, and Albee). Mr. Mongeon indicated he was not comfortable with the amount of time spent discussing options to avoid a rate increase and Ms. Albee stated that she feels we need to do another cost of Service Study. The motion carries.

Additional Committee Items

Engineering and Operations Committee Chair Mongeon provided an update noting that he and Mr. Jennings have reviewed the strategic topics developed at the last committee meeting and have consolidated and prioritized them with a plan to present that at the next committee meeting.

Power Resources and Access Committee Chair Darcy reported on two matters related to the committee, first discussing community aggregation and a NH Municipal Association seminar he attended where it was clear from discussions that they are using NHEC as the model for how they will get together a rate to offer to municipalities. Their hope is to have everything together by the end of 2023. He next mentioned changes in the Power Resources Variance Report, Attachment #22 in the Board packet, asking Mr. Callnan to summarize.

Mr. Callnan first pointed out the formatting change to the report, noting that the information is still there it is just in more detail so provides more visibility for the Board. He next discussed the change in the overall values from last month, mentioning some purchases were made at the end of October that have reduced the overall cost for this rate period so we are now going to see lower costs than what we had expected when we set the rates back in June. He pointed out the difference between the cumulative total and what we had expected is a savings of about \$3.2 million because there was a reduction in costs in the market and we went out and purchased to take advantage of those reductions.

Ms. Clemsen Roberts added that staff continues to have discussion around the over/under recovery and has a meeting set to talk about reasonable parameters to put around the over/under recovery balance (what we think would trigger a rate increase or decrease) and they will come back to the Board the first of next year. Since the cost of energy is wildly varying, it makes sense for it to be a percentage of power we are purchasing rather than a set amount for parameters.

The meeting recessed at 10:25 a.m. Mr. Clark and Ms. Doan left the meeting at this time. The meeting reconvened at 10:39 a.m.

Board General Session

Board Tracking Report

Chair Morrill drew attention to the Board Tracking Report, Attachment #12 in the board packet. Referring to item 10, Review of Board Policies, he mentioned that Messrs. Darcy and Mongeon have expressed interest in serving on that committee and asked if there are others. Other volunteers included Ms. McElaney, Mr. French, and Ms. Albee.

Mr. Mongeon questioned how the Executive Committee fits into the policy discussion since policies fit under governance and that role is included in the Executive Committee's charter. Attorney Phillips provided an overview of the work his firm has done looking at policies with the mission of seeing whether they could be streamlined to have a more efficient policy manual and the work group would give input as to how those policies should be changed, updated, or modernized. Mr. Mongeon commented that he feels it should be the Executive Committee that works with Attorney Phillip's on the policies. Chair Morrill stated that there was interest from non-Executive Committee members to take this action and they will take this role and the Executive Committee and Board will have oversight. Chair Morrill suggested an update at the February Board meeting.

Mr. Mongeon reiterated his ongoing concern that committees should stay true to their charters.

Committee Meetings

Mr. Darcy suggested that the next Corporate Services Committee meeting be a joint meeting with Power Resources and Access (PR&A) to consider the PR&A budget and discuss a renewable default Co-op Power rate as discussed at the last PR&A meeting. Mr. French advised that the next Corporate Services Committee meeting is scheduled for December 13th. Ms. Clemens Roberts advised that she didn't know if the renewable rate discussion would be ready by then. Mr. Darcy commented that if it can be pulled together that would be the ideal situation. Mr. French noted that it would need to be noticed as a joint committee meeting.

Following is a list of upcoming committee meetings:

- Joint Corporate Services and Power Resources & Access Committee – December 13, 10:00 a.m.

NHEC Foundation Report

NHEC Foundation Chair Davis reported that the Foundation's fourth quarter meeting has been moved to January 4, 2023. She drew attention to Attachment #13 in the Board packet discussing the importance of the Round Up Program.

NRECA Report

Mr. Colburn presented the NRECA Report, sharing highlights from his written report and additions to the bibliography. He mentioned the upcoming NRECA Winter Board meeting, the NRECA resolutions process, the election outcome and NRECA's good relationship with both parties, the recently held NRECA Broadband Leadership Summit, a cybersecurity conference scheduled for May, the NRECA election for board officers, his conversation with Angela Strictly

who took Jim Spiers place, and reminded everyone that the NRECA Annual Meeting will be held in March.

Responding to a request to pull together any additional resources from NRECA's Business and Technology Strategies (BTS) Group that might be helpful to NHEC, which could then be posted in OnBoard, Mr. Colburn indicated he will see if BTS has a briefing package that could be provided or what else may be available.

Other Business

Mr. French acknowledged Mr. Dunagin's contributions to the Cooperative as CFO, noting that Friday is his last day. He shared his appreciation for everything Mr. Dunagin has done, noting that he has brought us a long way and is supported by a good team. A round of applause was provide for Mr. Dunagin.

Mr. Dunagin expressed his thanks and wished everyone the best.

Ms. Clemsen Roberts noted that Kristen Taylor will be stepping into the Interim CFO role while we conduct the search for a new CFO.

Executive Session

Upon motion of Mr. French, seconded by Mr. Darcy, it was

VOTED: That the Board of Directors move into executive session for the purpose of discussion of confidential legal and personnel matters.

Vote for the motion was unanimous and the board moved into executive session at 11:03 a.m. Directors Kedersha and Viens and Mr. Colburn left the meeting at this time.

The board moved out of executive session at 2:01 p.m.

Adjournment

Upon motion of Mr. French, seconded by Mr. Dwyer, it was unanimously voted to adjourn the meeting. Chair Morrill adjourned the meeting at 2:01 p.m.

Brenda Boisvert, Secretary

A TRUE COPY ATTEST:

Jeffrey Morrill, Chair of the Board